

SIU Cases of Interest

Claims Committee Meeting, September 19, 2018
Board of Governors Meeting, September 26, 2018

Non-Weather Water Investigations

Miami-Dade: SIU's investigation into a non-weather water loss revealed evidence that the risk insured under a homeowners' policy was in fact used for a group home and that the insured submitted false information in support of the application of insurance. Furthermore, it was determined by Underwriting that had the truth of the property use been known at the time of the application, the policy would not have been issued. As a result the policy was subsequently voided ab initio and no payment was issued on the non-weather water loss. A referral was submitted to Division of Investigative and Forensic Services (DIFS) and as a result, the insured was arrested in April and charged with insurance fraud.

Miami-Dade: SIU's investigation into a 2015 non-weather water loss developed evidence that the loss was contrived and that the alleged repair to the damage pipe had been fabricated. The claim was subsequently denied for material misrepresentation and false statements. SIU reported its findings to the DIFS and as a result, the insured and plumber were arrested and charged with insurance fraud and grand theft.

Miami-Dade: The insured reported water damage to the kitchen cabinets and drywall as a result of a sudden plumbing leak inside the wall. The SIU investigation, supported by interviews and an expert's inspection of the loss, determined that the damage was attributable to a prior loss and that the insured misrepresented the condition of the property and alleged repairs that took place after the prior loss. The claim reserved at \$10,000 was not paid. A DIFS referral was submitted.

Broward: The insured reported damage to the walls, flooring and cabinets in the hall bathroom, master bathroom, master bedroom and living room as a result of a failed drain line. The loss was reported to Citizens by the insured's public adjuster 18 days after the loss and after \$7,100.67 in water mitigation services were provided under an Assignment of Benefits (AOB). During the SIU investigation, it was determined that the damage to the property was not consistent with a one-time sudden and accidental event that occurred on the reported day of loss. The insured later admitted there were prior issues and became aware through a former tenant as early as 2016. The claim reserved at \$5,000 was denied due to "constant or repeated seepage, or damage due to lack of or improper maintenance".

Broward: The insured reported damage throughout the insured property as a result of a water backup. After the loss was scoped, Citizens received a letter of representation from a law firm representing the insured's legal interest. Citizens' SIU established that the water mitigation representative also acted in the role of a loss consultant and obtained legal representation for the insured on behalf of the law firm. Representatives from the law firm and water mitigation provider refused to discuss the matter with SIU and the law firm voluntarily withdrew legal representation at the insured's request. As a result, Citizens was able to make payments totaling \$50,000 directly to the insured. A DIFS referral was made based upon the actions of the water mitigation representative.

Miami-Dade: The insured alleged drywall, baseboard, flooring and cabinet damage throughout as a result of a water overflow in an upstairs bathroom. The loss was reported to Citizens eight days after the loss and after \$4,129 in water mitigation expenses were incurred under a Direction to Pay. The SIU investigation, supported by interviews and an expert's inspection of the loss, determined that the

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damage was attributable to a prior loss and that the claim was contrived. The claim reserved at \$4,500 was subsequently denied based on no evidence of a loss. A referral to DIFS was submitted.

Miami-Dade: The insured reported damage to the kitchen cabinets and drywall as a result of a ruptured pipe in the kitchen. The SIU investigation, supported by interviews, established that the insured presented false plumbing invoices in support of the claim and that the water damage was not the result of a one-time sudden and accidental event. The claim reserved at \$7,500 was subsequently denied due to the insured's misrepresentation of material facts and the damage resulted from long time leakage. A DIFS referral was submitted.

Tampa: The insureds reported that their tenant occupied residence sustained mold and water damaged kitchen cabinets resulting from a sudden leak under the kitchen sink. The SIU investigation, supported by witness interviews and documentary evidence, established that the insured contrived the loss and that the damage existed prior to policy inception. The claim reserved at \$7,000 was denied. A DIFS referral was submitted.

Miami-Dade: The insured alleged water damage to the kitchen cabinets and drywall as a result of a garbage disposal leak. The SIU investigation, supported by interviews and expert consultation, revealed that the damage resulted from a prior event in which the insured received a settlement and that the claim was contrived. The claim reserved at \$10,000 was subsequently denied for pre-existing damage and failure to show for an Examination Under Oath (EUO). A DIFS referral was submitted.

Miami-Dade: The insured claimed that a drain line failed which resulted in water damage to the bathroom, kitchen cabinetry, and hallway. The claim was reported by the insured's attorney 23 days after the alleged loss and after \$7,238 in water mitigation services were provided under an AOB. Most of the affected areas were removed prior to the adjuster's inspection. The SIU investigation, supported by expert examination and EOUs determined that the insured presented a false invoice for plumbing repairs and there was no evidence that the drain line work had been done. The claim reserved at \$20,000 was denied and a compromised settlement was reached with the water mitigation provider. A DIFS referral was submitted.

Miami-Dade: The insured claimed a supply line ruptured resulting in water damage to the kitchen cabinets. The claim was reported by the insured 19 days after the alleged loss. Water mitigation services in the amount of \$2,383.92 were rendered three months after the loss under an AOB. The SIU investigation established that the insured attempted to claim damage which resulted from a previous water claim. The claim reserved for \$2,500 was subsequently withdrawn. A DIFS referral was submitted.

Miami-Dade: The insured claimed a water supply line ruptured resulting in water damage to the bathroom. The claim was reported by the insured's attorney 55 days after the alleged loss and after \$12,578 in mold remediation services were provided under an AOB. The SIU investigation established that the insured made contradictory statements regarding the date of loss, who made repairs and amount paid for the repairs. The claim reserved for \$10,000 was denied due to wear, tear or deterioration and prejudiced due to failure to comply with post loss conditions. A DIFS referral was submitted.

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Pinellas: The insured claimed water damage due to accidental water discharged in the kitchen that caused damage to the kitchen cabinets. The claim was reported by the insured's attorney seven days after the loss occurred. Upon SIU investigation, the insured's attorney disallowed an inspection of the loss and a meeting with the insured to discuss the claim, which severely curtailed the scope of the investigation. The claim reserved at \$10,000 was denied due to failure to comply with duties after the loss and failure to cooperate with the investigation.

Hillsborough: The insured claimed a supply line broke causing water damage to the kitchen cabinets. The claim was reported by the insured's public adjuster four days after the loss and after \$3,850 in water mitigation services were provided under an AOB. The SIU's investigation established that the public adjuster was adjusting the claim on behalf of the insured without a valid license or appointment. A DIFS referral was submitted.

Broward: The insured alleged that the air conditioner developed a leak, resulting in water damage to the garage area where the AC unit was located. The claim was reported by the insured three days after the loss and after \$16,794 in water and mold remediation was provided under an AOB. The SIU investigation, supported by expert findings, determined there was no evidence to suggest that the AC leak event caused the damage claimed by the remediation company and that the mitigation provider billed for services not rendered. The claim reserved at \$37,713 was partially paid to the insured and a DIFS referral was submitted based on the activity of the water mitigation provider.

Miami Dade: The insured alleged a pipe backup leading to the septic tank under the kitchen sink resulted in water damage to the floor and kitchen cabinets. The claim was reported by the attorney 39 days after the loss and after \$6,014 in water mitigation was provided under an AOB. The SIU investigation, supported by expert findings and photographic evidence, determined that the damage did not result from a sudden water event as initially reported by the insured and his attorney. The insured refused to meet with SIU and failed to appear for an EUO. The claim was subsequently denied based on no evidence of a water event and no visible evidence of damage. A DIFS referral was submitted.

Miami-Dade: The insured claimed that a bathroom water leak caused damage to the master bathroom, bedroom and surrounding area. The claim was reported by the insured's public adjuster seven days after the loss and after \$2,317 in water mitigation was provided under an AOB. The SIU investigation established that the insured obtained a new policy of insurance and claimed long term damage which predated the issuance of the policy. In addition, the insured knowingly misrepresented having a prior policy in order to secure the policy. The claim reserved for \$5,000 was withdrawn. A DIFS referral was submitted.

Catastrophe Claim Investigations (Hurricane Irma)

Miami Dade: The insured initially alleged wind and water damage to the interior residence resulting from Hurricane Irma. After Citizens tendered a payment of \$39,000 for wind damage, the insured submitted a supplemental claim for damaged personal property. The SIU investigation established that the insured misrepresented the condition of the personal property, which only had damage from a fire

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prior to Hurricane Irma. The supplemental claim for personal property was denied and no further payments were issued. A DIFS referral was submitted.

Miami Dade: The insured alleged damage to the building elevator of a rental property as a result of Hurricane Irma. The loss was reported by the insured's attorney 33 days after the loss. In support of the damage, the insured submitted damage estimates in excess of \$123,000. The SIU investigation established through interviews that the damage to the elevator predated the reported date of loss. The insured failed to submit to repeated request for interviews and documents to support their claim. The claim reserved at \$1,234 was subsequently closed due to non-compliance with document request. Based on the SIU investigation a DIFS referral was submitted.

Miami-Dade: It was reported nine days after the date of loss by the insured that the property sustained damage as result of Hurricane Irma causing wind damage to the wood fence and the roof that resulted in water damage to the interior ceilings. After the claim was submitted, Citizens received a letter of representation from an attorney with an AOB from a restoration company. The SIU investigation established evidence that the insured made misrepresentations in the application by failing to disclose five prior losses that occurred to the residence that included three water losses and two claims for damage to the roof. Further investigation confirmed that damage reported to Citizens pre-existed the policy as well as the date of loss. The claim reserved for \$15,000 was denied as a result of the pre-existing damage. A DIFS referral was submitted.

Fort Pierce-St. Lucie: The insured claimed wind from Hurricane Irma caused damage to the roof, and interior ceilings which was reported to Citizens three days after the loss. The SIU investigation, supported by expert findings determined the damage was not the result of the hurricane winds, but rather mechanical, man-made. The insured refused to provide a recorded statement or submit to an EUO. The claim, reserved at \$6,500 was denied due to failure to comply with duties after a loss and failure to cooperate with the investigation. A DIFS referral was submitted.

Miami-Dade: The insured alleged that as a result of Hurricane Irma the insured property sustained wind damage to the roof and interior water damage to the acoustic ceilings. The claim was reported by the insured attorney 42 days after the loss occurred and after \$15,126 in water mitigation services were provided under an AOB. The SIU investigation, supported by an expert inspection, concluded that there was no indication of recent wind damage and the damage pre-dated the loss. The claim reserved at \$22,000 was withdrawn.

Hillsborough: The insured claimed roof and interior damage to the bathroom and Florida room ceilings as the result of Hurricane Irma. The claim was reported by the insured's attorney 60 days after the loss. The SIU investigation established that, unbeknownst to the insured, the law firm had reported the claim on their behalf and had forged their signature on the retainer agreement. The claim reserved at \$8,000, was subsequently denied for no direct physical damage to the roof. A DIFS referral was submitted.

Broward: The insured's attorney reported water damage to the interior of the residence as a result of wind damage to the roof tiles due to Hurricane Irma. The claim was reported 19 days after the loss by the insured's attorney. The SIU investigation established that the insured had previously claimed, and had been compensated for some of the same damage being presently claimed. The claim reserved at \$6,000 was partially paid. A DIFS referral was submitted.

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Miami-Dade: The insured alleged that, as a result of Hurricane Irma, the insured property sustained wind damage causing roof damage. The claim was reported by the insured's attorney five days after the loss and after \$7,400 in water mitigation was provided under an AOB. The SIU investigation, supported by an expert inspection, established that the damage to the roof tile was caused by careless human foot traffic and there was no evidence of storm damage. Furthermore, it was also established that at the time the roof tarp was installed by the water mitigation company there were no broken roof tiles. The claim reserved for \$12,000 was ultimately denied based on no wind created opening. A DIFS referral was submitted.

Miami-Dade: The insured reported winds associated with Hurricane Irma resulted in structural damage to the roof and water damage to the interior. The SIU investigation proved that the insured misrepresented the condition of the roof and that the damage factually resulted from a previous event in which the insured failed to make repairs. The claim reserved at \$4,000 was denied due to preexisting and repeated seepage. A DIF referral was submitted.

Miami-Dade: The insured reported winds associated with Hurricane Irma damaged the roof which caused interior water damage to the residence. The SIU investigation established evidence that the insured misrepresented the condition of the roof and reported the same damage previously sustained in prior claims to Citizens. Moreover, the insured provided false information on the status of repairs that were alleged to have taken place prior to the policy. The claim reserved at \$13,000 was denied due to existing damage, maintenance. A DIF referral was submitted.

Broward: The insureds reported damage associated with Hurricane Irma cracked the tile roof and caused interior water damage to the ceilings to the residence. The claim was reported 31 days after date of loss by the public adjuster. The SIU investigation established evidence that the insured previously reported the same damage under the prior Citizens claim and the damage pre dated the date of loss. The claim which was reserved at \$70,785 was denied for no wind created opening, wear, tear and deterioration. A DIF referral was submitted.

Miami-Dade: The insured reported that wind associated with Hurricane Irma resulted in damage to her tile roof and water damage to the ceilings and walls in her home. The SIU investigation established that the claim was contrived and that the damage resulted from prior events in which the insured filed claims with their prior carrier. SIU determined the insured submitted a \$100,000 invoice for roof replacement that was determined to be fabricated. The claim, reserved at \$5,000 was partially paid and a supplemental claim for repairs was denied. A DIFS referral was submitted.

Miami-Dade: The insured reported wind damage to the shingle roof and water damage to the ceilings in the home. The claim was reported 163 days after date of loss. The SIU investigation, supported by interviews and expert findings, revealed that the damage presented was mechanical and not storm related. There was no evidence of water intrusion in the attic and interior staining on the ceiling was determined to predate the policy. The claim reserved at \$4,500 was denied for no wind created opening to the roof. A DIFS referral was submitted.

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Other Property-Related Investigations

Miami-Dade – Fire: The claim was reported as a fire loss inside a tenant occupied home which caused smoke/fire damage throughout the home. The SIU investigation revealed that the insured provided false and contrived documents to validate additional living expenses. Further claims and investigative efforts verified that the fire was intentionally set in order to secure payment on a contents only (\$100,000 limit) policy. A DIFS referral was submitted and as a result, the insured was arrested by the Miami-Dade Fire Arson Unit for 3rd Degree felony charges of Insurance Fraud and Arson. Subsequent investigative efforts by the Miami-Dade Fire Arson Unit eventually led to the arrest of multiple individuals, including our additional insured, who were part of a fraud ring that was setting fires to rental properties in order to secure payments from unsuspecting insurance companies.

Hernando – Water Roof: The insured alleged that the roof began to leak causing interior water damage to the ceiling in three rooms. The SIU investigation, supported by witness interviews, determined that the loss was contrived and the damage pre-existed from a prior claim event in which the insured received a settlement. Additionally, the insured made misrepresentations on the application and failed to disclose a prior roof leak claim as well as the existing damage to the property. The claim reserved at \$5,000 was denied for damage that pre-existed the policy of insurance. A DIFS referral was submitted

Marion – Sinkhole: The insureds alleged that their house sustained structural damage resulting from sinkhole activity, which was presented to Citizens one month after the loss. The SIU investigation revealed that the home had been sold under a quitclaim deed and that the claim was presented by an individual without insurable interest who attempted to deceive Citizens by posing as the insured. The claim reserved at \$24,600 was denied after the insured failed to appear at an EUO. A DIFS referral was submitted.

Agency & Underwriting-Related Investigations

Broward – Agent Compliance, Misappropriation: As previously reported, an SIU investigation into a consumer complaint determined the agent misappropriated \$13,700 customer's premium. The agent admitted to the allegation and returned the funds to the insured. Agent Compliance terminated the agent for cause and a referral was made to DIFS. As a result, the agent was arrested by the Florida Department of Financial Services and charged with grand theft and mishandling of insurance funds.

Miami-Dade – UW Personal Lines Account, Application Misrepresentation: Through proactive investigative efforts, SIU identified four personal lines risks that are operating as Large Family Child Care Homes. The SIU investigations, which included inspections of the properties and interviews with the policyholders and witnesses, established that Large Family Child Care businesses were being operated at the policy address that are statutorily ineligible for Citizens' Personal Lines Policies. As a result, the policies were non-renewed, removing approximately \$1,236,320 in exposure from Citizens.

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Pinellas, Broward – UW Personal Lines Account, Application Misrepresentation: Through proactive investigative efforts, SIU identified three personal lines risks that were operating as Assisted Living Facilities. The SIU investigations, which included inspection of the properties and interviews with policyholders and witnesses, established that the policyholders owned and operated Assisted Living Facilities at the risk locations. As a result of the investigations, the three policies were set to non-renew, removing approximately \$963,110 in exposure from Citizens.

Hillsborough – UW Personal Lines Account, Application Misrepresentation: An SIU investigation established that a home with an active policy with Citizens was vacant and under renovation. Although there was no intent to deceive Citizens, SIU alerted Underwriting to the material change in risk exposure. As a result, the risk exposure of \$318,600 was canceled by Underwriting.

Broward – UW Personal Lines Account, Application Misrepresentation: An SIU investigation determined a home with an active policy with Citizens had unrepaired damage from a prior loss which the insured failed to disclose on their insurance application. The policy was cancelled due to existing damage and a DIFS referral was submitted.

Walton – Agent Compliance, Eligibility: An SIU investigation found that an inspector who conducted inspections for wind mitigation premium credits had used the same sample photos for multiple risks owned by an insured. Although there was no evidence to deceive Citizens on behalf of the inspector, it was determined that the agent was aware, at the time, that sample photos were used. As a result, Citizens withdrew premium credits on multiple policies totaling \$48,262 and the Agent received a warning notice from Agency Compliance.

Miami-Dade – Agent Compliance, Fraud: An SIU investigation determined the inspectors listed on the inspection forms for six different policies written by the same agent did not conduct the inspections. The investigation also revealed that proof of prior insurance documents submitted to Citizens by the agent were false and misleading. The agent admitted to mishandling the application process. A referral to DIFS was made and Citizens Agent Compliance terminated the agent.

Miami-Dade – Agent Compliance, Fraud: An SIU investigation determined the agent forged a 4-point inspection report in order to provide the customer coverage through Citizens. A referral was made to DIFS and the file was shared with Agent Compliance for their review and appropriate action.